Juanita R. Brooks (SBN 75934) (brooks@fr.com)
Todd G. Miller (SBN 163200) (miller@fr.com)
Fish & Richardson P.C.
12390 El Camino Real
San Diego, CA 92130
Telephone: (858) 678-5070
Facsimile: (858) 678-5099

Jonathan E. Singer (SBN 187908) (singer@fr.com)
William R. Woodford (*pro hac vice*) (woodford@fr.com)
Fish & Richardson P.C.
60 South Sixth Street, Suite 3300
Minneapolis, MN 55402
Telephone: (612) 335-5070
Facsimile: (612) 288-9696

Attorneys for Defendants
ADEMIA MULTIMEDIA, LLC; AEBN, INC.; AUDIO COMMUNICATIONS, INC.; CLUB JENNA, INC.; CYBER TREND, INC.; CYBERNET VENTURES, INC.; ACMP, LLC; GAME LINK, INC.; GLOBAL AVS, INC.; INNOVATIVE IDEAS INTERNATIONAL; LIGHTSPEED MEDIA GROUP, INC.; NATIONAL A-1 ADVERTISING, INC.; NEW DESTINY INTERNET GROUP, LLC, VS MEDIA, INC.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

(SAN JOSE DIVISION)

ACACIA MEDIA TECHNOLOGIES CORPORATION, Plaintiff, v. NEW DESTINY INTERNET GROUP, et al., Defendants.	Case No. C 05-01114 JW (HRL) **OPPOSITION TO ACACIA'S MOTION FOR RECONSIDERATION AND CLARIFICATION OF THE JULY 12, 2004 MARKMAN ORDER** Date: September 8 and 9, 2005 Time: 9:00 a.m. – 4:00 p.m. Judge: Honorable James Ware Courtroom 8, 4th floor
AND ALL RELATED AND/OR CONSOLIDATED CASE ACTIONS	

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I. INTRODUCTION

While the Court invited any party wishing to request reconsideration of its July 2004 Markman Order to do so, the Court did not suggest in its Order that the requirements Northern District Local Rule 7-9 had been suspended. Yet, much of Acacia's request is a rehash of arguments previously made to and rejected by the Court. No new fact or law underpins its request, and certainly Acacia cannot contend the Court committed manifest error in reaching the constructions contained in the July 2004 Markman Order. Notably, Acacia does not even feign compliance with the Local Rules when it requests "clarification" of the Court's Markman Order.

The Court's Order allowing requests for reconsideration also did not suggest that all of the argument and briefing on claim construction presented in 2004 should be treated as having never happened. Yet, Acacia appears to have reconsidered its own proposed construction of the encoder limitations (sequence encoder and identification encoder), in view of the Court finding those limitations indefinite in its prior Order. Amazingly, Acacia asks the Court to accept newly-minted constructions and entirely disregard what Acacia said during the extensive claim construction process in 2004. For example, in 2004, according to Acacia, the doctrine of claim differentiation had no application to the "sequence encoder" limitation, but in 2005 it does. In 2004, an "identification encoder" included a human being, but in 2005 it does not. Quite simply, if Acacia cannot understand what its own claims cover such that it can present a consistent argument for their construction, it is certainly unfair to ask that its competitors understand them—this is the paradigm of indefiniteness.

Finally, Acacia commented during the proceedings in 2004 that a decision in the then-pending *Phillips en banc* case would render the Court's claim construction efforts a nullity. Now that the *Phillips* opinion has issued, it only confirms that the Court properly construed the limitations for which Acacia seeks reconsideration/clarification. The Court originally rejected most of Acacia's proposed constructions, which divorced from the patent specification, sought to cobble together dictionary definitions. The Court's claim construction approach was clearly vindicated by *Phillips*, which moved away from the heavy reliance on dictionary definitions supported by the

Texas Digital line of cases. Having lost on its dictionary definition approach, Acacia apparently reconsidered its rejection of the Court's invitation to submit expert testimony. While the Court graciously allowed Acacia another chance to present such testimony, the *Phillips* decision has strongly cautioned the district court's against relying upon the type of testimony—conclusory, biased, and in conflict with the intrinsic evidence—on which much of Acacia's request is based. The Federal Circuit has also recently reiterated that expert testimony that attempts to create disclosure where none can be found in the intrinsic record should be rejected. The expert testimony Acacia plans to proffer runs afoul of this mandate as well. For these reasons and the reasons discussed below, Acacia's request for reconsideration/clarification should be denied.

II. PROCEDURAL HISTORY

During the June 14, 2005 Case Management Conference, counsel for Acacia advised the Court that he had not understood the Court's *Markman* Order to require Acacia to request an evidentiary hearing, despite the express language in the Order stating otherwise.[1] In fact, as Defendants pointed out during this hearing and in numerous pleadings, including Defendants' pending motion for summary judgment (Acacia v. New Destiny Internet Group, Case No. 02-cv-01040-JW-MLG, D.I. No.[2] 192 at 4:17-5:4), Acacia specifically declined the Court's express invitation for such a hearing. However, in light of the representations by Acacia's counsel and in view of the consolidation of the pending actions, the Court invited "any party who wishes to file a Motion for Reconsideration of the Court's *Markman* Order issued on July 12, 2004 to do so … ." (June 21, 2005 Order at 2:5-6.) The Court's June 21, 2005 Order did not invite requests for "clarification." Accordingly, to the extent Acacia's pending motion requests "clarification," of the

[1] "The Court invites Acacia to file a motion for an evidentiary hearing on the issue of whether one of skill in the art could identify a corresponding structure and determine the bounds of the 'identification encoding means' in view of the specification." (*Markman* Order at 21:4-7.) "The Court directs Acacia to file a motion for an evidentiary hearing, and Defendants to file motions directed to, *inter alia*, the legal consequences that 'sequence encoder' is indefinite." (*Id.* at 34:4-5.)

[2] Docket Identification ("D.I.") numbers refer to the Court's docket in the case of *Acacia v. New Destiny Internet Group, Inc.* Case No. 02-cv-01040-JW-MLG.

Court's construction of "identification encoder" and "in data communication with" these requests should be denied as untimely and procedurally improper. Alternatively, these requests should be treated as requests for reconsideration, which due to their failure to comply with the requirements of Northern District Local Rule 7-9, should be denied.

III. ARGUMENT

A. Acacia's Requests For Reconsideration Regarding "a Transmission System At a First Location In Data Communication With a Reception System At a Second Location" Should Be Denied For Violation of Local Rule 7-9.

Acacia's request for reconsideration of the limitation "a transmission system at a first location in data communication with a reception system at a second location" is simply a repetition of arguments previously presented to and rejected by this Court. While the Court has allowed the parties to request reconsideration, the Court's Order did not suspend the requirements of the local rules. The requirements for a motion for reconsideration are set forth in sections (b) and (c) of Local Rule 7-9:

> (b) Form and Content of Motion for Leave. A motion for leave to file a motion for reconsideration must be made in accordance with the requirements of Civil L.R. 7-9. The moving party must specifically show:
>
> > (1) That at the time of the motion for leave, a material difference in fact or law exists from that which was presented to the Court before entry of the interlocutory order for which reconsideration is sought. The party also must show that in the exercise of reasonable diligence the party applying for reconsideration did not know such fact or law at the time of the interlocutory order; or
> >
> > (2) The emergence of new material facts or a change of law occurring after the time of such order; or
> >
> > (3) A manifest failure by the Court to consider material facts or dispositive legal arguments which were presented to the Court before such interlocutory order.
>
> (c) Prohibition Against Repetition of Argument. No motion for leave to file a motion for reconsideration may repeat any oral or written argument made by the applying party in support of or in opposition to the interlocutory order which the party now seeks to have reconsidered. Any party who violates this restriction shall be subject to appropriate sanctions.

Acacia's request certainly does not rely on a material change in fact because the intrinsic evidence relevant to claim construction cannot change. Nor does Acacia's request rely upon a change in law. While Acacia mentions the Federal Circuit's recent *Phillips* decision, it does so as to well established tenets of claim construction, and notably avoids any mention of the Court's cautionary statements regarding reliance on expert testimony or the Court's rejection of primary reliance on dictionary definitions. *Phillips v. AWH Corp.*, 415 F.3d 1303, __, 2005 WL 1620331[3], *10 ("[A] court should discount any expert testimony 'that is clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history, in other words, with the written record of the patent.'"); *Id.,* 2005 WL 1620331,*13 (Fed. Cir. 2005) ("Although the concern expressed by the court in *Texas Digital* was valid, the methodology it adopted placed too much reliance on extrinsic sources such as dictionaries, treatises, and encyclopedias and too little on intrinsic sources, in particular the specification and prosecution history.") Finally, Acacia does not and cannot point to a "manifest failure" by the Court to consider material facts or dispositive legal arguments. The Court has already considered Acacia's arguments—and in a well-reasoned and detailed opinion—rejected them. For these reasons alone, Acacia's motion for reconsideration should be denied.

B. Acacia's Request for Reconsideration of the Court's Construction of "a Transmission System At a First Location In Data Communication With a Reception System At a Second Location" Should Also Be Denied On the Merits.

1. The Court Already Rejected Acacia's Arguments Regarding the Location of the Transmission and Reception Systems, and Should Do So Again.

Acacia asks the Court, as it did during the extensive claim construction proceedings in 2004, to ignore the express language of the claims that restrict the claimed "transmission system" and "reception system" to a single location by using the word "at" and the singular "location." It is axiomatic that a system, whether transmission or reception, **at** a **location** (singular) cannot be at multiple locations. Moreover, even through the applicants disclosed two embodiments of the transmission system, they limited the language of the claims of the '702 patent to cover only the embodiment of their purported invention where the transmission system 100 is located in one facility. (*See* '702 patent, 5:58-60 ("[t]ransmission system 100 may either be **located in one facility** or may be spread over a plurality of facilities." (emphasis added).) *See also Terlep v. The Brinkmann Corp.*, __ F.3d __, 2005 WL 1950186, *4 (Fed. Cir. 2005)[4] (rejecting proposed construction covering two disclosed embodiments where claim language excluded one of the disclosed embodiments: "there is nothing in the description of the phosphorescent coating embodiment to warrant construction of the term 'clear' as it relates to the 'clear plastic tubular holder' of claim 1 to include translucent holders."). With regard to the "reception system" limitation, the '702 patent specification never describes it as being spread over a plurality of facilities. As such, there is absolutely no basis for Acacia's proposal to expand the scope of this limitation, and Acacia points to nothing in the intrinsic record to support its request.

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[3] A Westlaw version of the opinion is provided at Miller Decl., Ex. G.

Returning to the claimed "transmission system," as Acacia highlights in its moving papers, where the applicants sought to describe a system dispersed across multiple locations, they described it using the word "multiple" ('702 patent, col. 14:43-45 ("at multiple locations"); ('702 patent, col. 14:44-45 ("operate a database of available titles **at multiple locations** remote of the source material library 111") (emphasis added). Likewise, when the applicants sought to claim an element at multiple locations, they did so using the plural term "locations." (*See* Acacia Br. at 9, n.3 ("at remote locations" "at the remote locations). In light of this straightforward and common use of English grammar, it is no surprise that when the applicants sought to restrict a system element to a single location, they used the word "at" and the singular "location." (*See e.g.*, '702 patent, col.2:59-60 (receiving the sent information **at** the remote **location**"); col. 2:60-61 ("buffering the processed information **at** the remote **location**; col. 2:66-67 ("subscriber **at a location** remote from the source material library") (emphasis added).)[5] Having established this pattern of using the words "at,"

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[4] A Westlaw version of the opinion is provided at Miller Decl., Ex. H.

[5] The "claiming convention" used by the patentees highlights the fallacy of Acacia's suggestion that the patentees would have claimed "a transmission system at a single first location" if they intended to limit the claims to the construction reached by the Court. (Acacia Br. at 7:6).

"multiple," "location," and "locations" in their customary manner, the applicants demonstrated their intent to claim the embodiment of their purported invention where the transmission and reception systems are each in a single location. Using this same linguistic framework, had applicants sought to claim an embodiment where the transmission and reception systems were in a plurality of locations, they would have replaced "at a first/second location" with "at multiple first/second locations." The applicants did not use this language in the '702 patent claims, because they did not seek to claim such a system.

Recognizing that the plain meaning of the words that surround the claimed "transmission system" doom its request for reconsideration of the limitations "transmission system at a first location," Acacia requests, once again, that the Court construe the claimed "transmission system" in isolation from the words that follow in the claim—"at a first location." In this way, Acacia hopes to secure a construction of "transmission system" that conflicts with the surrounding claim language. Of course, the argument Acacia puts forward is contrary to the well established tenet of claim construction that claim limitations must be considered in the context of the words that surround them. The *Phillips* Court reaffirmed this mandate. *Phillips*, 2005 WL 1620331, *6 ("Quite apart from the written description and the prosecution history, the claims themselves provide substantial guidance as to the meaning of particular claim terms." citing *ACTV, Inc. v. Walt Disney Co.*, 346 F.3d 1082, 1088 (Fed.Cir.2003) ("the context of the surrounding words of the claim also must be considered in determining the ordinary and customary meaning of those terms").[6] In the context of the other words of the claims of the '702 patent, with which the construction of transmission system must harmonize, Acacia's proposed construction makes no sense and must be rejected.[7]

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[6] To the extent Acacia seeks a construction of the "transmission system" limitation in the context of claims 19 and 47 of the '992 patent, its request is premature. The Court permitted the parties to seek reconsideration of claim limitations addressed by its July 12, 2004 Order. A "transmission system" removed from the context of the surrounding limitation "at a first location," which is recited by every independent claim of the '702 patent, was not addressed by the parties or by that Order.

[7] Completely undermining its request that the claimed "reception system at a second location" should be construed to cover a reception system at multiple locations, Acacia does not make an argument as to the "reception system" limitation in isolation in parallel with its request regarding "transmission system." The '702 patent makes clear that each reception system is in a

For the same reason, Acacia's argument that the words "a," "at," "first," and "second" considered in isolation supports a construction under which the transmission/reception system can be at one or more locations, simply misses the mark. In its *Markman* Order, the Court properly rejected Acacia's arguments that the use of the transitional word "comprising," the disclosure in the patent's specification of alternate embodiments of the transmission system, the use of the article "a," and the recitation of a "first location" and a "second location" compelled a construction that conflicted with the plain language of the claim when considered as a whole. (Order at 29:21-31:13.) As discussed above, it is the context in which the words of the claim are used together and in view of the specification, which provides the correct construction. Thus, while the word "a" *can* mean one or more, and "at" *can* refer to multiple locations, in the context of the claim limitation "a transmission system at a first location in data communication with a reception system at a second location" it is clear that the embodiment in which the transmission system and the reception system are located in one facility is what is being claimed. ('702 patent, 5:58-60).

To the extent Acacia attempts to frame its request on the basis of new law, its reliance on the Federal Circuit's recent *en banc* opinion in *Phillips* is entirely misplaced. *Phillips v. AWH Corp.*, 415 F.3d 1303, 2005 WL 1620331 (Fed. Cir. 2005). In citing the passage from *Phillips* for the proposition that the specification may reveal a special definition for a claim term, Acacia ignores the passage from *Renishaw* which the *Phillips* Court was addressing and which it quoted in full. (Acacia Br. at 4:16-20). The quoted *Renishaw* passage is reproduced below:

> Ultimately, the interpretation to be given a term can only be determined and confirmed with a full understanding of what the inventors actually invented and intended to envelop with the claim. The construction that stays true to the claim language and most naturally aligns with the patent's description of the invention will be, in the end, the correct construction.

Phillips, 2005 WL 1620331, *8, quoting *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1250 (Fed. Cir. 1998). In the words of the *Renishaw* Court, this Court's *Markman* Order

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single location but that there can be more than one such system. '702 patent, col. 3:63-66 ("As shown in FIG. lb, the transmission and receiving system of the present invention may alternatively comprise a plurality of reception systems 200, 200', 200'', and 200''', which are each associated with a single transmission system 100.")

"stays true to the claim language" and "naturally aligns with the patent's description of the invention" because, contrary to Acacia's contention, the patentees did not give the term "transmission system" "an expansive geographical meaning." As this Court recognized, the patentees gave the term "transmission system" two meanings and directed the claims of the '702 patent to only one of those meanings. This Court's construction is fully in accord with *Phillips*, for as that Court emphasized, "the claims are 'of primary importance, in the effort to ascertain precisely what it is that is patented.' ... Because the patentee is required to 'define precisely what his invention is,'... it is 'unjust to the public, as well as an evasion of the law, to construe [a claim] in a manner different from the plain import of its terms.'" *Phillips,* 2005 WL 1620331, *4. Acacia's effort to evade the law by seeking a construction at odds with the plain meaning of the words of its claims should be rejected—again.

2. Acacia's Request for "Clarification" of "In Data Communication With" Seeks an Expressly Rejected Construction.

Acacia's request for "clarification" of the Court's construction is, like its other requests, an effort to reargue positions already rejected by the Court. Acacia's proposed construction "two or more devices connected while data is being transferred between the devices" is a thinly veiled effort to secure a construction which obviates the claim requirement of a "transmission **system**." Despite Acacia's representation that it does not seek to disturb the Court's intention to exclude systems in which data is transferred between devices via diskette, its proposed construction does precisely that. For example, under Acacia's proposed construction, the output of the indefinite "identification encoder" element in claim 1 of the '702 patent would not need to be connected to the "compressed data library" (or any other part of the transmission system), except when transmitting data. Thus, if the "identification encoder" or other system element included any form of data storage hardware (hard drive, flash memory, storage disk), that storage hardware could be moved from one location to another and then connected to transfer data between devices. This is not a transmission system—it is an assembly of parts—a construction having no support in the '702 patent specification and which was expressly rejected by this Court.

Acacia's criticism of the Court's inclusion of the phrase "real time" in the construction also does not warrant Acacia's proposed modification. As Acacia acknowledges, the Court included the phrase "real time" in its construction to make clear its rejection of Acacia's proposed construction that allowed for a transient connection between system elements. Acacia now contends that the Court's construction may cause "juror confusion" with regard to the meaning of the term "real time." (Acacia Br. at 23:24-25). If, however, Acacia were truly concerned with confusion over the phrase "real time," it would simply have proposed the addition of the phrase "or in less than real time" to the Court's construction. The addition of this phrase would certainly have addressed any possible concerns Acacia might have with excluding faster than real-time transmissions. Acacia, however, did not propose this simple modification, because it seeks to covertly reopen the door to a construction inconsistent with the Court's conclusion that systems having transient connections are not encompassed by the '702 patent claims. To the extent the Court sees a need to amend its construction of the "in data communication with" limitation, Defendants proposes that the construction "continuously connected to allow the transfer of data in real-time or less than real time" be adopted.[8]

C. Acacia's Attempt To Provide A Meaning For "Sequence Encoder" Through Expert Testimony That Is At Odds With Acacia's Previously Offered Construction And Contradicted By The Intrinsic Evidence Should Be Rejected.

1. Acacia's Proposed Construction Directly Conflicts With the Claim Construction Arguments It Presented to This Court in 2004.

"The primary purpose of the definiteness requirement is to ensure that the claims are written in such a way that they give notice to the public of the extent of the legal protection afforded by the patent, so that interested members of the public, *e.g.*, competitors of the patent owner, can determine whether or not they infringe." *Default Proof Credit Card System, Inc. v. Home Depot*

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[8] The phrase "one or more devices," to which Acacia objected has been deleted because the claims that contain the "in data communication with" limitation identify the devices that are connected to each other. Thus, in context, the "one or more devices" phrase is unnecessary. The word "continuously" has been added to make clear that the connection exists when data is not being transferred and, thereby, excludes the transfer of data between devices by means of a diskette or other form of data storage.

U.S.A., Inc., 412 F.3d 1291, 1302 -1303 (Fed. Cir. 2005); *Oakley, Inc. v. Sunglass Hut Intern.*, 316 F.3d 1331, 1340 (Fed. Cir. 2003); *see United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 233 (1942) ("To sustain claims so indefinite as not to give the notice required by the statute would be in direct contravention of the public interest which Congress therein recognized and sought to protect."); *see also* 3 Chisum on Patents § 8.03, at 8-14 (2000) ("The primary purpose of this requirement of definiteness in claims is to provide clear warning to others as to what constitutes infringement of the patent.").

Here, Acacia cannot articulate a consistent definition of the "sequence encoder" limitation. First, Acacia argued for a broad construction based on cobbled together dictionary definitions. Then, recognizing its proposed construction would lead directly to a finding of indefiniteness, Acacia proposed a narrow construction arguing that the doctrine of claim differentiation did not apply to the "sequence encoder" limitation. Accordingly, Acacia argued, the scope of independent claim 1 and dependent claim 7 was the same. In fact, the parties engaged in supplemental briefing on this very point. Now, on reconsideration, Acacia argues that the doctrine of claim differentiation **does** apply to the "sequence encoder" limitation and that claim 1 is necessarily broader than claim 7. In view of Acacia's flip-flops, it should be self-evident that the notice function of the '702 patent claims has not been served.

Despite the obvious invalidity of the "sequence encoder" claims, Acacia seeks to use the Court's allowance of reconsideration as a platform from which its retained experts will pronounce that they understand what a sequence encoder is. Such testimony provides Acacia no salvation. The Federal Circuit, less than three months ago, expressly rejected a patentee's efforts to use extrinsic expert testimony as a surrogate for an adequate disclosure. "In sum, while it is true that the patentee need not disclose details of structures well known in the art, the specification must nonetheless disclose some structure. Stated differently, **the testimony of one of ordinary skill in the art cannot supplant the total absence of structure from the specification**." *Default Proof Credit Card System*, 412 F.3d at 1302.

The Court has already determined that the '702 patent suffers from a total absence of disclosure of any structure for the claimed sequence encoder. *Markman* Order at 32:23-25 ("With absolutely no reference or drawing, one of ordinary skill in the art would not know what a sequence encoder is, or what structure the encoder has, and how it interacts with other elements of the transmission system."). In view of the '702 patent's total failure to provide any disclosure of the structure of the claimed sequence encoder, the Court correctly concluded that "extrinsic evidence, such as expert testimony, may not be useful to the Court, as the intrinsic evidence appears unambiguous."[9] (*Id.* at 33:22-24). Defendants submit that the upcoming evidentiary hearing will only confirm the Court's assumption.

2. Acacia's Inability to Provide a Consistent Construction of the "Sequence Encoder" Limitation Demonstrates its Indefiniteness

In the famous nose of wax analogy, the Supreme Court in *White v. Dunbar*, 119 U.S. 47, 51-52 (1886), said:

> Some persons seem to suppose that a claim in a patent is like a nose of wax, which may be turned and twisted in any direction, by merely referring to the specification, so as to make it include something more than, or something different from, what its words express.

There can hardly be a more perfect embodiment of the Supreme Court's words than the shifting arguments Acacia has put forward throughout this case regarding the construction of the "sequence encoder" limitation.

During the discovery period that preceded the motion stage of the claim construction process, Acacia construed "sequence encoder" to mean "a device capable translating data into a defined set of symbols." (Miller Decl., Ex. A).

Then, in its opening claim construction brief, filed May 7, 2004, Acacia argued "[t]he ordinary meaning of sequence encoder is therefore a device or software capable of producing a unique combination or a group of output signals in response to each of a group of input signals."

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[9] Acacia continues in its effort to rewrite the procedural history of this case by suggesting the Court invited expert testimony "to revisit and reexamine this entire issue." (Acacia Br. at 15:10-11.) As discussed above, the Court's Markman Order invited Acacia to request an evidentiary hearing. Acacia repeatedly declined that invitation.

(Miller Dec., Ex. B at 18:19-21). Apparently recognizing that adoption by the Court of this "ordinary meaning" would render its claims invalid, Acacia went on to argue that the applicants had expressly disclaimed any construction of "sequence encoder" other than a time encoder that sequenced data blocks through time encoding prior to compressing the data.

> From the specification's explicit descriptions of the invention, the invention clearly involved sequencing data blocks through time encoding and using a time encoder prior to subsequent compression to accomplish that task. The only sequence encoder disclosed in the specification is the time encoder – no other sequence encoder or sequencing scheme is explicitly disclosed or suggested in the specification. ... The description in the '702 patent shows that the inventors intended that the invention be limited to a time encoder using time encoding prior to subsequent compression, because this is the only disclosure in the patent...**[t]hese statements in the specification evidence the inventor's intent to restrict the invention to time encoding by a time encoder prior to subsequent compression**.

(*Id.* at 19:20-23:17) (emphasis added).

Acacia further narrowed its construction of "sequence encoder" in its opposition brief, filed May 13, 2004. Now, Acacia's argument was that the time encoder could only convert formatted information into a group or sequence of addressable data blocks prior to compression.

> The specification discloses a time encoder, which functions to place blocks of converted format information from converter 113 into a group or sequence of addressable data blocks by assigning relative time markers to the data prior to subsequent compression. ... From this description in the specification, **it is clear that the time encoder is a sequence encoder**.

(Miller Decl., Ex. C at 15:21-26) (emphasis added).

In the Joint Claim Construction Chart filed May 26, 2004, Acacia reiterated that "'sequence encoder' "is construed as a 'time encoder, i.e., a device or software which places blocks of converted formatted information into a sequence or group of addressable data blocks by assigning relative time markers to data prior to subsequent compression." (Miller Decl., Ex. D at 6).

Finally, in its supplemental claim construction brief filed June 14, 2004, Acacia was charged with specifically responding to the Court's request that it provide authority in support of its contention that it is permissible for a dependent claim to have the same scope as the independent claim from which it depends. Acacia argued that the **sole function** of the "sequence encoder" of claim 1 was described by claim 7, i.e., transforming digital data blocks into a group of addressable data blocks. In support of this position, Acacia argued that the doctrine of claim differentiation was trumped by the applicants' alleged disclaimer of any broader scope for the claimed "sequence encoder":

> Thus, the specification of the '702 patent will bear only one interpretation for the term 'sequence encoder' in claim 1—the time encoder. The fact that claim 7 depends from claim 1 and adds the limitation that the sequence encoder 'transforms digital data blocks into a group of addressable data blocks' **does not mean that the 'sequence encoder' is interpreted as being broader than the only support in the specification. Rather, according to the cases cited above, the rule that the 'sequence encoder' of claim 1 is interpreted consistent with its support in the specification takes priority over claim differentiation. Thus, similarity with claim 7 must be tolerated.**

(Miller Decl., Ex. E at 27:19-28:5) (emphasis added).

Now, in requesting reconsideration of the Court's construction, Acacia has completely turned its back on its prior arguments. In contrast to its previous assertion that the "sequence encoder" of claim 1 could be no broader than a time encoder that performs the algorithm of dependent claim 7 Acacia now contends just the opposite. In fact, Acacia now relies upon the *Ecolab* case to support a claim differentiation argument.

> If the 'sequence encoder' of claim 7 is understood to be a time encoder with the additional function of transforming digital data blocks into a group of addressable data blocks, as indicated by the Court in its Markman Order, then, pursuant to the doctrine of claim differentiation, **the sequence encoder of claim 1 must be broader, i.e., a time encoder that is not limited to this function**. *Ecolab, Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1375 (Fed. Cir. 2002)

(Acacia Br. at 19:8-12) (emphasis added). But Acacia previously argued *Ecolab* was inapposite because '702 patent specification could not support a broader construction of the "sequence encoder" limitation than what was claimed in claim 7. (Miller Decl., Ex. E at 28, n. 18 ("[t]he specification and prosecution history [at issue in *Ecolab* and other cases cited by Defendants] could support the breadth of the independent claim when differentiated from the dependent claim. In the present case, the specification cannot support a broader construction of the claim term at issue, and therefore similar claims must be tolerated.")).

Thus, Acacia's request for reconsideration is not based on any change in law or fact or any error by the Court, but instead is based on Acacia's reconsideration of its own arguments. It should go without saying that a litigant's change of position is not a proper basis for reconsideration. More importantly, the public could have no notice regarding the scope of the '702 patent claims when even Acacia's experienced patent counsel after months of study, research, and due consideration argued for a construction that it now says is completely wrong.

3. The Court Applied the Correct Legal Standards When Construing "Sequence Encoder" and Both the Intrinsic and Extrinsic Evidence Support the Court's Conclusion.

To create a basis for its motion for reconsideration, Acacia claims that the Court "applied the wrong legal standard" when it concluded "[t]he legal consequences of claiming an apparatus which has no plain meaning and which is not defined or referred to in the specification is for the Court to declare the patent invalid." (Acacia Br. at 14.) The *Bancorp* case, which Acacia suggests contradicts the Court's accurate statement of the law, does no such thing. In *Bancorp*, the Federal Circuit held that "surrender value protected investment credits," which had no ordinary meaning and was not defined or referred to in the specification, was definite because there was "substantial support [in the intrinsic evidence] for [plaintiffs'] contention that, as used in the patent, the terms "stable value protected investment," "surrender value protected investment," and "SVP" are equivalent." *Bancorp Services, LLC v. Hartford Life Insurance Company*, 359 F.3d 1367, 1373 (Fed. Cir. 2004). No similar support for the claimed sequence encoder limitation is found in the '702 patent specification. The Court applied the proper law in concluding that the neither the intrinsic evidence nor extrinsic evidence supported Acacia's proposed construction.

As the Court found its Markman Order, Acacia's effort to equate a "time encoder" with the claimed "sequence encoder" fails on several grounds. The '702 patent specification ascribes to "time encoder 114" a specific function—"plac[ing] the blocks of converted formatted information from converter 113 into a group of addressable blocks." ('702 patent at Col. 7:58-59). This function is recited by dependent claim 7 as an attribute of the claimed sequence encoder. However, as Defendants argued and the Court subsequently accepted in its Markman Order, understanding that the claimed sequence encoder can perform the function attributed to the time encoder does nothing to define the boundaries of the sequence encoder itself. (Markman Order at 32:27-33:2).

4. Acacia's Newly Minted Construction of "Sequence Encoder" Makes the Boundaries of Limitation Even More Unknowable.

In view of Acacia's new construction where the "sequence encoder" can perform functions other than transforming digital data blocks into a group of addressable data blocks, the boundaries of its structure become even more amorphous. For example, Acacia's new construction of sequence encoder attempts to equate the sequence encoder with the so-called "ordering means" disclosed by the specification. In fact, Acacia's cites to the specification's description of the ordering means as a hook to the word "sequence." (Acacia Br. at 16:18-19 ("The transmission system 100 of the present invention also preferably includes ordering means for placing the formatted information into a *sequence* of addressable data blocks.")). Acacia's argument only makes matters worse. For example, the '702 patent specification discloses that the source material library includes still pictures, books, documents, and other physical objects. ('702 patent at 6:7-11). While these materials need to be sequenced (for example, the words in a book need to be in order), these items have no time dimension and have no use for a "time encoder." Indeed, the patent states that the ordering means **includes** time encoder 114 because the ordering means is not just a time encoder. (*Id.* at 7:62-63). Acacia's attempt to "rewrite" the patent to by splicing together two quotes from the specification that are a column apart cannot change this fact and does not make the "sequence encoder" a "time encoder." (*See* Acacia Br. at 16-17). If the applicants had sought to claim a time encoder, they would have claimed a time encoder. That they did not do so demonstrates that the applicants intended a "sequence encoder" to be something other than a time encoder.

5. The Federal Circuit Reiterated in *Phillips* that No Weight Should Be Given Expert Testimony That Conflicts with the Intrinsic Evidence.

Acacia's grand plan is to present the Court with the testimony of its retained experts in support its new position (or whatever position it may decide by September to offer). Such testimony, however, simply cannot substitute for the patent's complete lack of disclosure regarding the "sequence encoder" limitation. In *Phillips*, the Federal Circuit provided five sound reasons why such extrinsic evidence should be viewed with a skeptical eye.

> 1. "[E]xtrinsic evidence by definition is not part of the patent and does not have the specification's virtue of being created at the time of patent prosecution for the purpose of explaining the patent's scope and meaning."
>
> 2. "[E]xtrinsic publications may not be written by or for skilled artisans and therefore may not reflect the understanding of a skilled artisan in the field of the patent."
>
> 3. "[E]xtrinsic evidence consisting of expert reports and testimony is generated at the time of and for the purpose of litigation and thus can suffer from bias that is not present in intrinsic evidence."
>
> 4. "[T]here is a virtually unbounded universe of potential extrinsic evidence of some marginal relevance that could be brought to bear on any claim construction question. In the course of litigation, each party will naturally choose the pieces of extrinsic evidence most favorable to its cause, leaving the court with the considerable task of filtering the useful extrinsic evidence from the fluff."
>
> 5. "[U]ndue reliance on extrinsic evidence poses the risk that it will be used to change the meaning of claims in derogation of the 'indisputable public records consisting of the claims, the specification and the prosecution history,' thereby undermining the public notice function of patents."

Phillips, 2005 WL 1620331, *11. All five reasons apply here. Most notably, the bias of Acacia's retained experts as they struggle to create the impression of disclosure where the patent is silent is disturbing. In that effort, these retained experts do precisely what the Federal Circuit cautions against—they have unloaded on the Court reams of extrinsic evidence having little or no relevance, leaving the Court to filter the useful from the fluff. *Id.* (quoting *Daubert v. Merrell Dow Pharms., Inc.*, 509 U.S. 579, 595 (1993)). Moreover, in their effort to aid Acacia's cause, these retained experts proffer the "conclusory, unsupported assertions" "clearly at odds with the claim construction mandated by the claims themselves, the written description, and the prosecution history, in other words, with the written record of the patent." *Phillips*, 2005 WL 1620331, *10.

D. Acacia's Request For "Clarification" of the "Identification Encoder" Construction Is Improper And Should Be Rejected.

After receiving extensive briefing and hearing extensive argument on the "identification encoder" limitation of the '702 patent, the Court concluded that:

- The term "identification encoder," while an undefined structure that performs a non-specific function, is not subject to means-plus-function analysis because the applicants did not raise the presumption of § 112, ¶ 6 by using the phrase "means for." (Markman Order, 35:4-7, n. 26).

- "The term 'identification encoder' has no plain meaning." (Markman Order, 35:8).
- The five extrinsic prior art patents that disclose an identification encoder "further exemplifies that one of skill in the art would not understand the meaning of the term 'identification encoder.'" (Markman Order, 35:12-16).
- "[T]he specification of the '702 patent only discloses an identification encoder as a box that performs the function of assigning a unique identification code." (Markman Order, 35:17-20).
- "The specification does not disclose an algorithm, software, or apparatus to perform the function for assigning a unique identification code." (Markman Order, 35:20-21).
- "[O]ne of ordinary skill in the art would not understand the scope or bounds of the claim, when it is read in light of the specification rendering an 'identification encoder 'insolubly ambiguous.'" (Markman Order, 35:21-23).
- "Although arguably indefinite … 'identification encoder'… mean[s] 'a structure that assigns a unique identification code." (Markman Order, 35:24-36:1).

The Court's conclusion that the "identification encoder" limitation is "insolubly ambiguous is synonymous with a finding of indefiniteness. *Honeywell Int'l, Inc. v. Int'l Trade Com'n*, 341 F.3d 1332, 1340 (Fed. Cir. 2003). In fact, the Court stated that it "considers the term 'identification encoder to be indefinite…." (Order at 35, n. 26).

Because Acacia can provide no basis to seek reconsideration of the Court's findings, it instead asks for a "clarification" of the Order and the striking of the Court's findings that the identification encoder limitation is "insolubly ambiguous," "arguably indefinite," and that the "Court considers the term 'identification encoder' to be indefinite." Acacia's sole basis for this unauthorized request appears to be the anticipated testimony of its retained experts. These gentlemen plan to testify that the Court got it wrong because one of skill in the art would fully understand the structure and function of the claimed "identification encoder" because in their opinion the word "process" in box 112 of figure 2A means the execution of computer software.

The expert testimony Acacia intends to offer suffers from the same flaws outlined above with respect to the "sequence encoder" limitation. As before, Acacia asks the Court to accept expert declarations and testimony that is completely at odds with the intrinsic evidence—and for that matter, is also contradicted by the other extrinsic evidence in the form of dictionary definitions, prior art patents, and Acacia's previous arguments. Indeed, Acacia now claims that "identification encoder" should be construed to be hardware and software based solely on the term "process." (Acacia Br. at 21.) That the box in Fig 2a includes the word "process" does nothing to provide a disclosure of the algorithm that performs the process as required by Federal Circuit precedent. *See Harris Corp. v. Ericsson, Inc..*, __ F.3d __, 2005 WL 1845103, *__ (Fed. Cir. 2005)[10]; WMS Gaming, Inc. v. Int'l Game Tech., 184 F.3d 1339 (Fed. Cir. 1999).[11]

Acacia's new argument is also at odds with its previous argument providing more than ample illustration of the indefiniteness of the "identification encoder" term. Throughout the 2004 Markman process, Acacia argued that the structure of the "identification encoder" included human beings. (*See, e.g.*, Markman Order at 14, 15, 18.) In fact, Acacia was so adamant in its position that the parties filed supplemental briefs to address in more detail the issue of whether a human being could be the structure of the "identification encoding means." (*See* Miller Decl., Ex. F). Fortunately, Acacia cannot return to this nonsensical argument. Recently, in *Default Proof Credit Card Sys.*, 412 F.3d 1291 (Fed. Cir. 2005), the Federal Circuit rejected the argument that human beings can be corresponding structure under § 112, ¶ 6.

> Default Proof's arguments that the structure corresponding to the 'means for dispensing' can entail human (or 'merchant') participation or a human being

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[10] A Westlaw version of the opinion is provided at Miller Decl., Ex. I.

[11] The *Harris* and *WMS Gaming* cases restrict computer-implemented means-plus-function terms to the algorithm disclosed in the specification. The Court held in its Markman Order that § 112, ¶ 6 did not apply to the "identification encoder" limitation. However, in view of Acacia's new argument that the "identification encoder" is a "process," i.e., a function, § 112, ¶ 6 would undoubtedly apply.

> manually operating an apparatus, are equally misplaced. Given that a human being cannot constitute a 'means,' … , Default Proof's arguments merely beg the question of what structure the human being operates to perform the function of distributing the prepaid debit cards.

Id. at 1300.

Acacia's newly crafted construction is no more supportable than the last and should be similarly rejected by the Court.

IV. CONCLUSION

Acacia's motion for reconsideration and "clarification" violates Northern District Local Rule 7-9 and should be denied on this procedural ground alone. On the merits, Acacia's request for reconsideration/clarification of the "transmission system at a first location in data communication with a reception system at a second location" is simply a rehash of the arguments it presented in 2004, and should be rejected for the same reasons its arguments were rejected when originally presented. As to its request for reconsideration/clarification of the encoder limitations, a litigants reconsideration of its prior position is hardly a basis for the Court to reconsider its orders. That Acacia cannot even understand its own claims demonstrates their invalidity. Finally, the testimony of retained experts that Acacia plans to present to the Court should also be rejected because the anticipated testimony is in conflict with the intrinsic and extrinsic evidence and cannot be used to create disclosure where none is present in the '702 patent. Acacia's request for reconsideration/clarification should be denied.

Dated: August 25, 2005

FISH & RICHARDSON P.C.

By: /s/
Todd G. Miller
Jonathan E. Singer

Attorneys for Defendants
ADEMIA MULTIMEDIA, LLC; AEBN, INC.; AUDIO COMMUNICATIONS, INC.; CLUB JENNA, INC.; CYBER TREND, INC.; CYBERNET VENTURES, INC.; ACMP, LLC; GAME LINK, INC.; GLOBAL AVS, INC.; INNOVATIVE IDEAS INTERNATIONAL; LIGHTSPEED MEDIA GROUP, INC.; NATIONAL A-1 ADVERTISING, INC.; NEW DESTINY INTERNET GROUP, LLC; VS MEDIA, INC.